



Commonwealth of Virginia

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Dear General Assembly Member:

REVENUE STABILIZATION FUND

This Office is providing a report of the required calculations for the Revenue Stabilization Fund.

BACKGROUND

Article X, Section 8 of the Virginia Constitution and the enabling legislation, requires this Office to report to the General Assembly by December 1, the following:

1. Certify tax revenues for the calculation of the Revenue Stabilization Fund,
2. The maximum size allowed of the Revenue Stabilization Fund, and
3. The amount of the mandatory deposit to the fund.

The attached exhibit provides the certified tax revenues for the past seven years, percentage of revenue growth for each year, and the average percentage of revenue growth for the preceding six years. The exhibit shows the calculation for the maximum size of the Revenue Stabilization Fund and the funding progress to date.

CALCULATION OF MANDATORY DEPOSIT REQUIREMENTS

Certified tax revenues grew by 11.29% between fiscal years 1997 and 1998, and the average revenue growth for the last six years was 6.29%. Under provisions of the Revenue Stabilization Fund, the comparison of last year's revenue growth and the average growth is an increase of 5.00%. Therefore, the General Assembly will need to make a mandatory deposit to the fund of \$194,135,805 during the fiscal year ended June 30, 2000.

Should you have any questions concerning this information, please contact me.

AUDITOR OF PUBLIC ACCOUNTS

**CALCULATIONS FOR THE REVENUE STABILIZATIONS FUND
(IN THOUSANDS)**

| Tax Revenue Required for Computation | | | | | | |
|--------------------------------------|---|----------------------------|---------------------------------|-----------|--|---|
| Years | Individual and Fiduciary Income Taxes | Corporate Income Tax | State Sales and Use Taxes | Totals | Average Annual Percentage Increase | Preceding Six Year Annual Average |
| 1992 | 3,322,648 | 275,865 | 1,348,811 | 4,947,324 | 1.97% | 7.47% |
| 1993 | 3,585,420 | 371,452 | 1,441,569 | 5,398,441 | 9.12% | 6.16% |
| 1994 | 3,812,254 | 312,149 | 1,539,097 | 5,663,500 | 4.91% | 5.80% |
| 1995 | 4,027,337 | 376,356 | 1,657,699 | 6,061,392 | 7.03% | 4.83% |
| 1996 | 4,301,349 | 402,337 | 1,721,964 | 6,425,650 | 6.01% | 4.19% |
| 1997 | 4,728,088 | 432,298 | 1,826,761 | 6,987,147 | 8.74% | 5.19% |
| 1998 | 5,405,850 | 450,780 | 1,919,216 | 7,775,846 | 11.29% | 6.29% |

**REQUIRED COMPUTATION OF MAXIMUM ALLOWED REVENUE
STABILIZATION FUND**

| <u>Years</u> | <u>Amounts (In Thousands)</u> |
|--|-----------------------------------|
| 1996 | \$6,425,650 |
| 1997 | 6,987,147 |
| 1998 | 7,775,846 |
| Average for Three Years | \$7,062,881 |
| Maximum Fund Allowed (10% of Average) | \$ 706,288 |

SCHEDULE OF FUNDING PROGRESS

| | <u>Amounts (In Thousands)</u> |
|---------------------------------------|-----------------------------------|
| - | |
| Total deposits to date | \$204,836 |
| Interest earned through June 30, 1998 | <u>19,425</u> |
| Subtotal | 224,261 |
| Required future deposits: | |
| June 1999 | 123,834 |
| June 2000 | <u>194,136</u> |
| Total committed to date | \$542,231 |
| Percentage of Maximum Fund | 77% |